

**SUPPLY CHAIN MANAGEMENT CENTER
MARINE CORPS LOGISTICS COMMAND**

5200
Code 562
May 20, 2004

From: Financial Management Branch Head

Subj: INTERNAL MANAGEMENT CONTROL PROGRAM GUIDANCE

Ref: (a) MCO 5200.24C
(b) CGMARCORLOGCOM ltr 5200 Code 410 (X5719) of 19 May 2004

Encl: (1) Definition Of Material Weaknesses/Situations And Criteria That Warrant
Reporting As Material Weaknesses
(2) Format For Annual Management Control Certification Statement
(3) Format For Reporting Material Weaknesses
(4) Template Of Prior Year Report

1. Per the reference, the following guidance is provided to assist expedite the annual Internal Management Control Report. All enclosures of the Annual Management Control Certification Statement require a response in the format of the prior year template, if the enclosure does not pertain to that area or no material weaknesses are identified a statement implementing that will suffice. The following information must be forwarded to Financial Management Branch (Code 562) by **COB 7 June 2004**.
2. Point of contact is Capt Freese or SSgt Cannon at 639-8212/8136.


S. J. FREESE

12. Management Control System. The sum of the methods and measures used to achieve the management control objectives both the controls and the evaluations of those controls. It is not a separate system, but an integral part of the systems used to operate programs and functions.

13. Material Weakness. Specific instances of noncompliance with reference (a) of such importance so as to warrant reporting of the deficiency to the next higher level of command/management. Such weaknesses significantly impair or may impair the fulfillment of an activity's mission or operational objectives; deprive the public of needed services; violate statutory or regulatory requirements; significantly weaken safeguards against fraud, waste or mismanagement of funds, property or other assets; or cause a conflict of interest. In effect, the weakness results from management controls that are not in place, not used or not adequate. Material weaknesses should be identified using one of 15 functional reporting categories (see appendix B to this enclosure). Open findings on management controls from any source, agreed to by management, are candidates for a material weakness at the applicable level, until all corrective actions are complete. Weaknesses considered significant on any of the following criteria warrant consideration for reporting as material weaknesses:

- a. Actual or potential loss of resources (e.g., property, inventory, personnel, etc.)
- b. Sensitivity of the resources involved (e.g., drugs, munitions, etc.)
- c. Magnitude of funds, property or other resources involved.
- d. Frequency of actual or potential loss.
- e. Current or probable Congressional or media interest (adverse publicity).
- f. Impaired fulfillment of mission or operations.
- g. Unreliable information causing unsound management decisions.
- h. Violations of statutory or regulatory requirements.

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- i. Diminished credibility or reputation of management.
 - j. Deprivation of needed Government services to the public.
 - k. Impact on information security.
14. Reasonable Assurance. The judgment by a manager and commanding Officer based upon all available information that the component systems of management controls are operating as intended by reference (a).
15. Risk. The probable or potential adverse effects from inadequate management controls that may result in the loss of resources or cause an activity to fail to accomplish significant mission objectives through fraud, error or mismanagement.
16. Risk Assessment. A documented review by management of an assessable unit's susceptibility to fraud, waste or mismanagement. Management evaluates the general control environment, analyzes the inherent risks and arrives at a preliminary assessment of the safeguards for the assessable unit.
17. Testing. Procedures to determine through observation, examination, verification, sampling or other procedures whether management control systems are working as intended.

Enclosure (1)

FORMAT FOR ANNUAL MANAGEMENT
CONTROL CERTIFICATION STATEMENT
("STATEMENT OF ASSURANCE")

From: Responsible Official (Commanding General/Officer)
To: Commandant of the Marine Corps (RFR), Headquarters, U.S.
Marine Corps, Washington, DC 20380-1775 (or Deputy Chief
of Staff, Programs and Resources Department (RFR) if
submitted by an organizational component of
Headquarters, Marine Corps)

Subj: MANAGEMENT CONTROL CERTIFICATION STATEMENT AND RESULTS
OF MANAGEMENT CONTROL EVALUATIONS

Ref: (a) MCO 5200.24C

Encl: (1) Current Year Accomplishments/Material Weaknesses
Identified and Corrected
(2) Current Year Material Weaknesses and Corrective
Actions-Actual and Prospective
(3) Prior Year Material Weaknesses - Status of
Corrective Actions
(4) List of Assessable Units

1. This command has evaluated the system of internal administrative and accounting controls in effect during the period ending 31 August. The evaluation was performed per Marine Corps policy contained in the reference. Internal Management Control Program accomplishments and the status of identified material weaknesses are detailed in the enclosures.

2. (Include one of the following: I have reasonable assurance that management controls are in place and operating effectively; I have reasonable assurance that management controls are in place and operating effectively, except for the material weaknesses provided in enclosures) (2) and (3)); or, I do not have reasonable assurance that management controls are in place and operating effectively), and the objectives of the Federal Managers' Financial Integrity Act were/were not achieved.

Appendix A to
Enclosure (2)

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3. Information to support the certification statement was derived from management reviews, audits, inspections, investigations and other management information, such as knowledge gained from daily operations of programs and functions. (Include the number of Management Control Reviews and Alternative Management Control Reviews accomplished during the year.)

(Signed)
Component Head or Deputy

Appendix A to
Enclosure (2)

FORMAT FOR REPORTING MATERIAL WEAKNESSES

Title and Description of Material Weakness: Use the title from the source document. Provide a brief narrative summary describing the material weakness and its scope; i.e., local., area wide, service-wide, etc.

Functional Category: Indicate which Management Control Reporting Category (shown at Appendix B to enclosure (1)) is applicable to this material weakness.

Pace of Corrective Action: The five items below identify the pace of corrective action. All dates are to be reported by fiscal year (FY)

Year Identified: Identify the FY the material weakness was first reported in the command/activity's annual certification statement.

Original Targeted Correction Date: Provide the targeted correction date that was reflected in the initial report for this material weakness.

Targeted Correction Date in Last year's Report: Provide the targeted correction date that was reported in the previous Year's annual certification statement. If a material weakness is being reported for the first time and is classified as "Identified During the Current FY" report "N/A - new report" here.

Current Target Date: Indicate the current targeted correction date.

Reason For Change in Date(s): If the item labeled above as "Current Target Date" is different from the item "Targeted Correction Date in Last Year's Report," briefly explain this change. Report "N/A" if the two dates are the same. If a material weakness is being reported for the first time and is classified as "Identified During the Current FY____," report "N/A - new report" here.

Component/Appropriation/Account Number: Identify the DON-related appropriations and account number(s). Monetary information; i.e., amounts, are not required. When identifying the appropriations, nomenclature should be consistent with standard DOD designations; i.e., Operation and Maintenance, Marine Corps.

Validation Process: Briefly explain how the effectiveness of the corrective action(s) will be demonstrated.

Results Indicators: Describe key results that have been or will be achieved. Quantitative and/or qualitative measures that determine the benefits derived or that will be derived from the corrective action(s), and the overall impact of the correction on operations should be described. If the amount of monetary benefits can be determined, it should be reported here.

Source(s) Identifying Weakness: Material weaknesses may be identified by Management Control Reviews or by any of the following Alternative Management Control Review sources: (a) DODIG audits; (b) NAVAUDSVC audits; (c) GAO audits; (d) NAVINSGEN inspections; or (e) other sources. Indicate the source used. When audit findings are the source of the material weakness identification, provide the title, report number, and date of the audit report that identified the weakness. If the weakness was identified by more than one source, list all identifying sources, in order of significance.

Major Milestones in Corrective Action: A milestone chart is to be provided that indicates actions taken and actions planned. It should be separated into three categories: (a) completed milestones, (b) milestones to be achieved during the next fiscal year, and (c) milestones to be achieved after the next fiscal year. Report milestones in chronological order. The final milestone reported must be the milestone associated with verification of the corrective actions. For most material weaknesses this final milestone will consist of achieving the validation reported in the preceding item labeled "Validation Process." If the planned completion date for a milestone has changed from that already reported, it is not necessary to note the change; simply indicate the new correct date. All planned milestones should reflect a specific date, by month and year, based on the ending date of the nearest prospective semiannual period when the milestone will be accomplished. For example,

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milestones to be completed in the first half of fiscal year 1998 would be reported as being completed on "3/98." those planned for the latter half would be dated "9/98." Reporting of completed milestones need not include dates, though these may be added if desired. The format for reporting material weakness milestones follows:

Completed Milestones:
Milestone:

Planned Milestones (Next FY):
Date: Milestone:

Planned Milestones (Beyond Next FY)
Date: Milestone:

Point of Contact: The name and telephone number of the official responsible for administering implementation of all identified corrective actions for this material weakness.

Appendix B to
Enclosure (2)